

OPENING STATEMENT
FINANCIAL SERVICES COMMITTEE HEARING:
“Using FHA for Housing Stabilization and
Homeownership Retention”
Ranking Member Spencer Bachus
April 10, 2008

Thank you, Mr. Chairman, for holding this second day of hearings on proposals to stabilize the housing market and prevent avoidable foreclosures. While the focus of today’s hearing is Chairman Frank’s proposal to provide \$10 billion in grants and loan authority to states and local governments for the purchase and rehabilitation of foreclosed properties and conversion of these properties to affordable housing, I do want to take this opportunity to comment on the Administration’s announcement yesterday regarding the *FHASecure* expansion. Like the Chairman’s proposal, this expansion of the *FHA Secure* program is designed to help address the adverse economic conditions affecting many communities across America experiencing

housing price depreciation and the overall contraction of the credit market.

While we all want to help homeowners and stabilize the housing market, we should not rush to enact legislation which will create clear moral hazards. Expanding *FHASecure* represents a cost-effective reasonable approach that can be implemented quickly and without legislation. This means that struggling homeowners will be able to access the help they need in the very near future rather than having to wait for Congress to enact legislation that could take months to complete. With this expansion of *FHASecure*, the Administration expects about 500,000 families to refinance into fixed-rate FHA-insured mortgages by the end of this year.

With respect to the Chairman's \$10 billion proposal, it is important that we proceed carefully before implementing what could be an expensive taxpayer rescue of lenders, investors and speculators who could ultimately benefit from the government's purchase of foreclosed homes and

vacant rental properties. We need to focus our efforts on keeping struggling families in their homes. In her written testimony yesterday, FDIC Chairwoman Sheila Bair warned the Committee that “relying too frequently on foreclosure will only perpetuate the cycle of financial distress, risk aversion and declining home prices that we have seen in recent months.” We should keep this in mind going forward and take care to not provide incentives that could have the unintended consequence of encouraging lenders to foreclose on single family properties or for landlords to evict tenants.

Lenders can and do already work with state and local governments to transition abandoned properties to good public use. Let me again reiterate my comments at yesterday’s hearing— government intervention, no matter how well-intentioned, is likely to do more harm than good in the housing market.

Thank you again, Mr. Chairman, for holding this hearing, and thanks to all of our witnesses for joining us this morning. We look forward to your testimony.